



The Voice of Small Business

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Small Business and Michigan Tax Structure

Testimony before the House Tax Policy Committee
Wednesday, May 20, 2009

My name is Charles Owens and I am the State Director for the National Federation of Independent Business, an organization providing legislative advocacy for more than 10,000 Michigan small businesses. Our members represent all sectors of our economy including retail, service, manufacturing, agriculture, financial, construction and others and provide a very accurate cross section of Michigan's economy and small business.

Small Business in Michigan

Here are some important Michigan statistics gleaned from data provided by the U.S. Small Business Administration:

- There were 814,700 small businesses in Michigan in 2006 including self employed businesses.
- Of the 190,411 businesses in Michigan with employees, 98.4 percent, or 187,400 were small (with fewer than 500 employees based on 2006 firm size data).
- 165,500 or 86.9 percent of those firms had less than 20 employees.
- In 2006, businesses with fewer than 500 workers employed 51.6 percent of the state's 3,819,500 non-farm sector employees.
- In 2006, businesses with fewer than 100 workers employed 35.9 percent of the state's 3,819,500 non-farm sector employees.

- According to the fiscal 2007 Michigan SBA Annual Report, businesses in Michigan with less than 20 employees created 49,972 new jobs while businesses with more than 20 employees lost 40,704 jobs.
- According to the fiscal 2007 Michigan SBA Annual Report, businesses in Michigan with less than 5 employees created 32,076 or 64.2 percent of the 49,972 jobs created.

Our purpose in sharing this with you is to suggest that any discussion on tax restructuring that does not consider the impact on small business is incomplete and any new structure based on such an omission will be ineffective in improving our state's business economy.

Michigan Business Tax – Alternative Profits Tax

The Michigan Business Tax Plan (MBT) was passed on June 28, 2007 as a replacement for the Single Business Tax (SBT) which was repealed effective 12-31-2007. The MBT is a business income tax at a rate of 4.95% and a modified gross receipts tax at a rate of 0.8%. The gross receipts are modified by allowing a deduction for "purchases from other firms" as defined in the Act. For many Michigan companies the MBT is no improvement over the Single Business Tax (SBT) it replaced. The 22 percent surcharge on the tax added to replace the revenue from a repealed services tax did not help.

However, to the legislature's credit, the MBT recognizes the important role that small business plays in Michigan's economy in two ways: The Gross Receipts Threshold (GRT) and the Alternative Profits Tax (APT). The GRT exempts businesses that have less than \$350,000 in gross receipts from the MBT. The APT provides an alternative filing method that applies a 1.8 percent tax on adjusted business income (as opposed to the MBT Gross Receipts tax of 0.8 percent and profits tax of 4.95 percent) for qualifying businesses. In order to qualify to use this method a taxpayer must meet three criteria:

- Gross receipts must be less than \$20 million (the APT credit phases out or reduces for taxpayers with gross receipts between \$19 and \$20 million)
- Adjusted Business Income must be less than \$1.3 million (adjusted business income is company income and all distributions or payments to all owners, partners, officers, shareholders etc. added together)
- Owner Income must be less than \$180,000 (the APT credit phases out or reduces for taxpayers with owner income between \$160,000 and \$180,000).

The APT was a concept carried over from the Single Business Tax, where the criteria or threshold levels for using this method of filing had become outdated.

Small Business and the State Income Tax – other taxes

Assumptions that small businesses that are exempted from the Michigan Business Tax (because of the gross receipts threshold of \$350,000) do not pay “business taxes” are incorrect. For these businesses, tax on business income is paid via the state income tax where business income is reported – typically derived from federal forms such as Schedule C. Michigan small businesses will pay \$777 million in taxes on business income reported on state income tax forms. In addition, these businesses also pay property taxes, payroll taxes, sales taxes and other taxes.

Michigan’s Tax Structure and Reform – Observations and Suggestions

The Goal of Tax Policy Reform: Legislative leaders are to be commended for initiating discussions on systemic reforms to Michigan’s overall tax structure. Our current budget and economic circumstances demand that all areas of state government be examined. However, if the goal of tax reform is merely to produce more revenue from a declining tax base (both business and personal) to shore up a deteriorating budget – then these efforts will be doomed from the beginning. Our tax structure has to provide an environment where job providers can prosper, not government, and where our state compares favorably to others.

Spending Versus Revenue: Tax reform cannot occur in a venue that does not address state spending. Until the state’s spending priorities are vetted and realigned to the new realities of our economic circumstances – effective tax reform cannot occur.

Earmarked Revenue: Legislative efforts to address Michigan’s budget challenges have been hampered by earmarked revenues and funds. As a result, the General Purpose / General Fund discretionary spending monies have been diminished. Where possible (we are aware that some earmarks are imposed by federal law), the legislature should consider removing earmarks and reestablishing state spending priorities considering all revenue sources and uses.

Targeted Tax Incentives: The recent Anderson Economic Group study on targeted tax incentives raises legitimate questions about the effectiveness and value of this approach to tax policy. Using only the tax expenditure analysis by the Michigan Department of Treasury, targeted tax incentives totaled almost \$900 million dollars in 2008. Every year millions of dollars in future tax revenue are spent on targeted tax incentives – with questionable accountability and effectiveness. Targeted tax incentives rarely, if it all, consider the opportunity cost of not addressing the overall business tax climate with the same resources. As a quick example, the MBT surcharge could be eliminated with the money spent on targeted tax incentives.

Business Community Consensus: To the extent possible, efforts to reform business taxes in Michigan should attempt to arrive at some consensus within the business community before moving forward.

So where do we go from here? There are two key considerations that policy makers must be cognizant of designing any new tax structure for Michigan:

- It has been said that “Those who do not remember history are condemned to repeat it”. Lawmakers should avoid the temptation to approach any new business tax from the same flawed logic that got Michigan into this mess in the first place: that the overriding goal of business tax policy should be to provide revenue for ever growing spending by the state and not what will grow jobs and the economy.
- Be aware of the important part that small business plays in our state economy and design the tax structure accordingly.

Here are some other considerations more specific to a replacement tax that have been identified as important by small business:

- The tax should be based on some measure of profit. In other words, if a business has a loss, they should not be expected to pay the tax.
- It should be simple to assess and administer.
- It should be relatively comparative to other states.
- It should continue to exempt those businesses currently under the SBT gross receipts threshold.

NFIB looks forward to providing this committee and all policy makers with information and guidance in this important task as we move forward in the months and weeks ahead.

Attachments:

SBA 2007 Michigan Fiscal Year Report
SBA 2008 Michigan Small Business Profile
Employment-Size of Businesses in the U.S. - U.S. Census Bureau
Michigan Employer Detail Extract – SBA
Small Business Taxes Paid Through State Income Tax – Anderson Economic Group, LLC
SBA Marginal Tax Rate Study
Michigan Business Review Article
MBT-Alternative Profits Tax Examples as Threshold Levels Increase

How Many Jobs Did Small Businesses Create in Michigan?



As the chart below shows, Michigan businesses with less than 20 employees in 2003 had a net *increase* of 49,972 in their employment in one year. On the other hand, businesses with 20 or more employees had a net *decrease* of 40,704, and most of this number came from companies that had 500 or more employees in 2003. From 1991 to 2004, businesses with less than 5 employees have been the only group that has added new jobs each and every year.

Job Creation By Firm Size 2003-2004

Number of Employees in 2003	Jobs these Firms Created by 2004
1-4 employees	32,076
5-9 employees	11,987
<u>10-19 employees</u>	<u>5,909</u>
Less than 20 employees	49,972
20-99 employees	(4,326)
100-499 employees	(7,582)
<u>500+ employees</u>	<u>(28,796)</u>
More than 19 employees	(40,704)
Total net new jobs	9,268

Source: SBA Office of Advocacy

This publication was created by the Michigan District Office of the U.S. Small Business Administration.

For a copy of this report in Adobe Acrobat format (PDF),
please call (313) 226-6075 x225 or by e-mail annette.hall@sba.gov.

Report Editors: Annette Hall, Catherine Gase

Michigan

Michigan's 814,657 small businesses provide economic opportunities to diverse groups of people and bring innovative products and services to the marketplace.* This profile from the Office of Advocacy compiles the latest facts and figures on the status and role of small business in the state. (Note that a small business is defined here as one with fewer than 500 employees.)

- Michigan had 187,373 small employers in 2006, representing 98.4% of the state's employers and 51.6% of its private-sector employment.
- The manufacturing industry was the state's largest small business and overall employer in 2006 (Table 1).
- Small businesses' and large businesses' net new jobs declined between 2004 and 2005 (Table 2).
- Michigan's real gross state product decreased by 1.2% in 2007. By comparison, growth in the Great Lakes region was 0.5% and the United States, 2.0%. (Source: U.S. Dept. of Commerce: Bureau of Economic Analysis)

For Further Information

- Data on all the states and territories is available at www.sba.gov/advo/research/profiles.
- For other small business data and analysis, visit www.sba.gov/advo/research, call (202) 205-6533, or email advocacy@sba.gov.
- To learn about state efforts to adopt or implement regulatory flexibility, visit www.sba.gov/advo/laws/law_modelleg.html.
- Visit <http://web.sba.gov/list> to subscribe to listservs for Advocacy's newsletter, press releases, regulatory news and research reports.
- Visit www.sba.gov/advo/rsslibrary.html for RSS feeds.

* The number of small businesses is the number of small employers plus the number of nonemployers in 2006.

Michigan Small Business Facts

	Level in 2006†	% Change from 2005 2000	
Number of Businesses			
Small employers (<500 employees)	187,373	-1.6	-1.8
Large employers (500+ employees)	3,038	1.8	-2.7
Nonemployers	627,284	-1.8	19.0
	Level in 2002†	% Change from 1997	
Business Owner Demographics			
Male-owned	415,649	12.8	
Woman-owned	217,673	17.9	
Equally male/female-owned	81,773	-27.2	
African American-owned	44,366	77.8	
Asian-owned	15,337	32.7	
Hispanic-owned	9,841	-1.6	
Native American/Alaskan-owned	5,361	NA	
Hawaiian and Pacific Islander-owned	196	67.5	
	Level in 2007†	% Change from 2006 2000	
Workforce (Thousands) /Unemployment (%)			
Private-sector employment	3,605	-1.6	-9.8
Government employment	657	-1.2	-3.6
Self-employed (incorp. & uninc.)	452	-5.9	-4.2
Female self-employment	146	-10.6	-10.0
Male self-employment	306	-3.5	-1.1
Minority self-employment	42	-16.8	0.7
Veteran self-employment	40	-11.7	-15.3
Unemployment rate (%)	7.2	0.3	3.5
Business Turnover			
Quarterly establishment openings	43,163	-1.3	-6.1
Quarterly establishment closings	46,449	2.3	6.6
Business bankruptcies	1,194	58.6	-26.9
Income and Finance			
Proprietors' income (\$billion)	29.4	5.5	63.1
Bank branches	3,137	0.8	5.7
No. of bus. loans under \$100,000	90,106	-13.6	NA
Total value of business loans under \$100,000 (\$million)	2,840	-2.4	NA

Sources: U.S. Dept. of Commerce, Bureau of the Census and Bureau of Economic Analysis; U.S. Dept. of Labor, Bureau of Labor Statistics; Administrative Office of the U.S. Courts; Federal Deposit Insurance Corporation, Summary of Deposits; and U.S. Small Business Administration, Office of Advocacy (www.sba.gov/advo/research/lending.html).

† Latest available data; certain figures are economywide.

Table 1. Firms and Employment in Michigan by Industry and Firm Size, 2006
(Non-farm, thousands)

Industry	Nonemployer firms	Employer firms			Employment		
		Total	1-19 Employees	1-499 Employees	Total	1-19 Employees	1-499 Employees
Total	627.3	190.4	165.5	187.4	3,819.5	694.1	1,969.1
Forestry, etc. and agriculture support	5.5	0.6	0.5	0.6	3.1	1.8	3.0
Mining	2.6	0.4	0.3	0.4	5.9	1.3	3.5
Utilities	0.4	0.1	0.1	0.1	23.5	0.2	1.4
Construction	81.6	24.7	23.2	24.7	156.3	78.5	143.8
Manufacturing	11.0	12.5	8.5	11.9	614.9	51.2	280.6
Wholesale trade	11.2	9.9	7.6	9.3	173.6	33.2	104.4
Retail trade	60.1	25.8	23.0	25.3	489.2	97.8	207.3
Transportation and warehousing	24.9	4.8	4.0	4.5	105.3	13.6	40.8
Information	8.2	1.9	1.4	1.7	81.8	6.3	19.2
Finance and insurance	19.1	7.6	6.6	7.4	167.3	23.6	68.0
Real estate and rental and leasing	60.6	7.2	6.6	7.1	59.3	19.7	40.7
Professional, scientific, and technical svcs.	76.6	21.1	18.9	20.7	302.2	62.8	156.5
Management of companies and enterprises	--	1.1	0.2	0.7	118.3	0.6	12.0
Admin., support, waste mgt., remed. svcs.	44.5	10.6	8.5	10.3	342.0	29.5	177.3
Educational services	15.5	1.9	1.5	1.9	66.8	7.0	31.8
Health care and social assistance	72.4	20.3	17.7	20.1	541.2	93.3	267.3
Arts, entertainment, and recreation	26.2	3.4	2.9	3.4	54.6	12.0	37.6
Accommodation and food services	7.9	14.9	11.6	14.7	338.1	67.6	215.7
Other services (except public admin.)	99.0	22.9	21.2	22.8	173.9	92.1	156.0
Unclassified	--	1.3	1.3	1.3	2.2	1.9	2.2

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses. (See www.sba.gov/advo/research/data.html for data from other years, and for starts, closures, job creation and destruction by industry and by size category.)

Table 2: Net Job Change by Firm Size, 2002–2005 (Non-farm)

	Total	Employment size of firm					
		1-4	5-9	10-19	20-99	100-499	<500 500+
2004 - 2005	-99,923	20,279	-3,250	-14,522	-32,881	-63	-30,437 -69,486
2003 - 2004	9,268	32,076	11,987	5,909	-4,326	-7,582	38,064 -28,796
2002 - 2003	-4,335	32,587	7,690	6,630	5,411	-712	51,606 -55,941

Source: U.S. Dept. of Commerce, Bureau of the Census. (For more detailed data see www.sba.gov/advo/research/data.html.)

Table 3: Establishment and Employment Turnover by Quarter, 2007 (Non-farm, thousands)

	Establishments				Employment			
	Openings	Expansions	Contractions	Closings	Openings	Expansions	Contractions	Closings
Quarter 4	11.2	41.0	45.7	10.9	46.5	179.9	197.7	50.2
Quarter 3	10.6	41.7	45.2	12.9	45.7	179.5	191.1	56.9
Quarter 2	10.5	43.4	45.1	10.7	46.3	192.7	184.5	44.8
Quarter 1	10.9	41.5	45.9	11.9	38.3	178.4	187.8	46.2

Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Business Employment Dynamics. (For more detailed data see www.bls.gov/bdm/home.htm.)

Note: The establishment turnover figures contain all firm sizes, but Census data from 2005 showed that 87 percent of establishment births and deaths were in firms with fewer than 500 employees.

Employment-Size of Businesses in the U.S. - 2006 (Employing Firms Only)

<u>Employees Per Business</u>	<u>Businesses</u>	<u>Percent of Total</u>	<u>Running Percent</u>
Total	6,022,127		
0^	794,622	13.2	13.2
1-4	2,875,406	47.7	60.9
5-9	1,060,787	17.6	78.6
10-14	428,399	7.1	85.7
15-19	218,417	3.6	89.3
20-24	135,142	2.2	91.5
25-29	90,182	1.5	93.0
30-34	65,322	1.1	94.1
35-39	48,158	0.8	94.9
40-44	38,019	0.6	95.6
45-49	29,641	0.5	96.0
50-74	87,461	1.5	97.5
75-99	41,940	0.7	98.2
100-149	40,325	0.7	98.9
150-199	18,992	0.3	99.2
200-299	18,058	0.3	99.5
300-399	8,328	0.1	99.6
400-499	4,857	0.1	99.7
500-749	6,024	0.1	99.8
750-999	2,950	*	99.8
1,000-1,499	2,962	*	99.9
1,500-2,499	2,374	*	99.9
2,500-4,999	1,877	*	100.0
5,000-9,999	931	*	100.0
10,000+	953	*	100.0

^ Employment is measured in March, thus some firms (start-ups after March, closures before March, and seasonal firms) will have zero employment and some annual payroll. Excludes farms.
Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Census Bureau, Statistics of U.S. Businesses.

NOTE: State data, though not available in cuts this fine, are similar in percentages to the national numbers.

Michigan Employer Firms, Establishments, Employment, Annual Payroll and Receipts by Firm Size, 2006
(Annual payroll in thousands of dollars)

	Total	Employment Size of Firm								
		0	1-4	5-9	10-19	< 20	20-99	100-499	< 500	500+
Firms	190,411	24,755	84,421	34,872	21,417	165,465	17,860	4,048	187,373	3,038
Establishments	235,750	24,789	84,590	35,329	22,393	167,101	22,889	11,279	201,269	34,481
Employment	3,819,537	0	179,379	229,076	285,639	694,094	680,688	594,303	1,969,085	1,850,452
Annual Payroll	151,504,380	1,260,761	5,365,286	6,754,807	9,017,229	22,398,083	23,613,855	20,724,513	66,736,451	84,767,929
Firms < 100										
Employment =	1,374,782									
Percentage of										
Total =	35.99%									

Source: http://www.sba.gov/advo/research/st_06.pdf

Small Business Taxes Paid Through State Income Tax

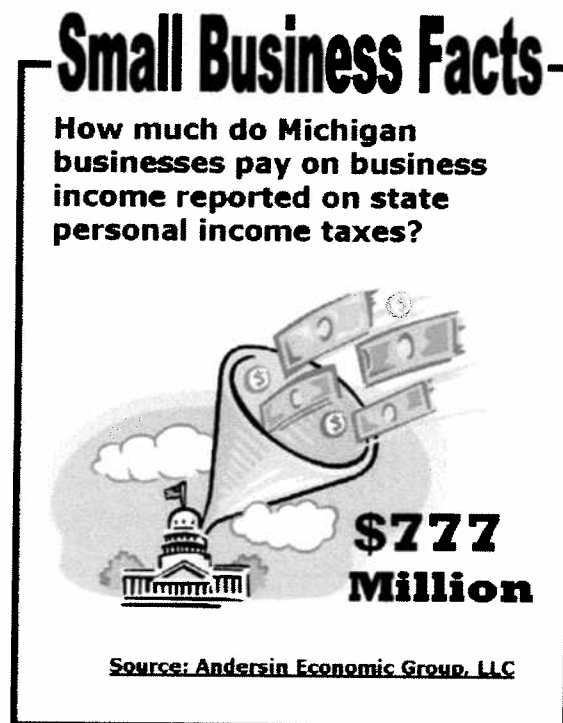
Assumptions that small businesses that are exempted from the Michigan Business Tax (because of the gross receipts threshold of \$350,000) do not pay “business taxes” are incorrect.

For these businesses, tax on business income is paid via the state income tax where business income is reported – typically derived from federal forms such as Schedule C.

Michigan small businesses will pay \$777 million in taxes on business income reported on state income tax forms.

Source: Anderson Economic Group, LLC – State and Local Taxes Paid by Michigan Business.

In addition, these business also pay property taxes, payroll taxes, and sales taxes.





OFFICE OF ADVOCACY NEWSRELEASE

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Reducing Marginal Tax Rates Increases Entrepreneurship, Study Shows

Tax Rates Directly Affect Entrepreneurial Entry, Duration, And Exit

WASHINGTON, D.C. – Reducing marginal income tax rates on entrepreneurs increases entrepreneurial entry, decreases exit from entrepreneurship, and lengthens the duration of entrepreneurial ventures, according to a study released today by the Office of Advocacy of the U.S. Small Business Administration.

“This study shows how tax rates directly impact entrepreneurship,” said Thomas M. Sullivan, Chief Counsel for Advocacy. “Reducing marginal tax rates on entrepreneurial income provides a clear incentive for entrepreneurial activity. Policy makers who understand the importance of increasing entrepreneurship and economic growth should use this study to guide their policy decisions.”

The study, *Taxes and Entrepreneurial Activity: An Empirical Investigation Using Longitudinal Tax Return Data* written by Donald Bruce and Tami Gurley with funding from the Office of Advocacy, offers several specific findings including:

- A marginal tax rate reduction of one percent on entrepreneurial income increases the probability of entrepreneurial entry by 1.42 percent for single filers and 2.0 percent for married filers.
- A marginal tax rate reduction of one percent on entrepreneurial income decreased the probability of exiting entrepreneurial activity by 17.32 percent for single filers and by 7.81 percent for married filers.
- A marginal tax rate reduction of one percent on entrepreneurial income lengthens the duration of entrepreneurial activity by 32.5 percent for single filers and 44.8 percent for married filers.
- Higher marginal tax rates on wage-and-salary income also increase entrepreneurial activity as they provide incentives for workers to start their own businesses.

The study was released at a panel discussion entitled “Tax Policy and the Entrepreneurial Sector,” sponsored by the Small Business & Entrepreneurship Council. It analyses tax return data from 1979-1990. This period encompasses the tax policy changes of the 1980s, which allowed the authors to closely examine the effects of tax rate changes on entrepreneurship.

The Office of Advocacy, the “small business watchdog” of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues. For more information and a copy of the report, visit www.sba.gov/advo.

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Created by Congress in 1976, the Office of Advocacy of the U.S. Small Business Administration (SBA) is an independent voice for small business within the federal government. Appointed by the President and confirmed by the U.S. Senate, the Chief Counsel for Advocacy directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. Economic research, policy analyses, and small business outreach help identify issues of concern. Regional Advocates and an office in Washington, DC, support the Chief Counsel's efforts. For more information on the Office of Advocacy, visit www.sba.gov/advo, or call (202) 205-6533.

GR-Lakeshore area among tops for high-growth firms; Michigan near bottom among states

by Mark Fellows | Michigan Business Review

Monday July 28, 2008, 7:13 AM

The Grand Rapids-Lakeshore area ranks among the top 10 metro areas in the country for fast-growing companies, a new study shows.

Yet Michigan as a whole ranks 44th among the states for its proportion of such employers, in the report issued by the Office of Advocacy of the U.S. Small Business Administration.

Of the 376,604 "high-impact" companies identified by researchers nationwide, 11,006 are in Michigan.

That's 2.07 percent of Michigan's firms, putting it far behind No. 1 Alaska with 2.76 percent.

Michigan placed ahead of a handful of states including Iowa, Florida and, bringing up the rear, New York.

The study, "High-Impact Firms: Gazelles Revisited," defines high-impact firms as those whose sales at least doubled over a four-year period, and which have an employment "growth quantifier" - the firm's change in employment multiplied by the percent change - of two or more.

Such companies account for nearly all employment and revenue growth in the economy, the study said.

The Grand Rapids-Holland-Muskegon metropolitan region ranked tenth among large metropolitan statistical areas in the country, with 1,382 high-impact firms out of a total of 57,713.

Far from focusing on start-up companies in the technology, life science or alternative energy categories, the SBA study found fast-growing firms present across all industries, employment ranges and regions. Although such companies tend to be smaller and younger than most, the average age of a high-impact firm is 25 years, the report noted.

That shows Michigan's approach to economic development -- handing out tax and other incentives to expanding businesses in certain categories -- is ill-conceived, argued Charles Owens, who heads the Michigan office of the National Federation of Independent Business.

"It pointed out the fact that government doesn't do a good job of guessing what the next best thing is," he said.

"What I took away from it was it was it once again illustrated the futility of the MEDC, the governor and the legislature trying to lavish targeted tax credits and incentives on particular businesses."

High-impact companies represent between 2 percent and 3 percent of all firms, the report said, and smaller firms did have an edge -- nearly 94 percent of the high-impact firms had fewer than 20 employees. Yet thousands of "super high-impact" companies -- those displaying high growth rates for multiple four-year periods -- employ 500 or more and are twice as common as small companies in that category.

The report's authors recommended that local economic developers cultivate such high-growth companies rather than trying to boost entrepreneurship generally or focusing on recruiting new companies into their areas.

"High-impact firms are important to Michigan's economic growth and development," said Chad Moutray, chief economist for the Office of Advocacy in the report's release statement. "State policy makers would be wise to consider how their policies can encourage such firms."

That's exactly what the state is doing, advocates say.

"That's why we have the 21st Century Jobs Fund and work with the Edward Lowe Foundation -- which focuses on second stage companies -- to nurture our own companies," Michigan Economic Development Corp. spokeswoman Bridget Beckman said. "Hopefully in 25 years they will be the companies having a high impact on the economy."

But state economic development policies that favor some categories of companies over others -- firm companies or life science startups, for example -- are detrimental to the state's economy, NFIB's Charles Owens argued. Some companies are taxed to boost others, he said, while an entitlement mentality is created among state businesses.

"It also distracts people from doing the real difficult work of improving the overall business climate of the state, which is pretty miserable and which is probably why it's way at the bottom," he said.

Other Michigan area rankings

- Oakland County ranked 34 out of 50 large U.S. counties, claiming 1,815 high-impact companies out of 89,981 total.

- Wayne County ranked 49 among the large counties, with 1,346 high-impact firms out of 84,571.

- The Detroit-Ann Arbor-Flint region ranked No. 51 among large metro areas, with 5,626 high-impact companies out of 290,040, just ahead of last-place Orlando.

- Saginaw-Bay City-Midland ranked No. 121 among medium-sized MSAs, with 433 high-impact firms out of 19,036.

- Lansing-East Lansing was No. 138 among medium-sized MSAs, tallying 538 high-impact firms from a total of 24,574.

- Kalamazoo-Battle Creek ranked 150th among medium-sized metro areas, with 486 high-impact firms out of 22,602.

Mark Fellows is managing editor of Michigan Business Review. Contact him at 248-374-4911 or markf@mbusinessreview.com.

Alternative Profits Tax Examples as Threshold Levels Increase

Owner Income Trigger	Aluminum Fabricator ¹	Dentist ²	Insurance Agency ²
\$160,000 or less	\$1,100.02	\$6,840.00	\$7,650.00
\$166,000	\$5,850.27	\$17,884.98	\$26,121.13
\$171,000	\$8,225.39	\$24,331.47	\$35,356.00
\$176,000	\$10,600.51	\$29,853.96	\$44,592.00
\$180,000 or more*	\$12,975.64	\$34,452.46	\$53,827.83
*Full MBT with Surcharge			
Gross Receipts Trigger	see note 1		see note 2
\$19 Million	\$1,100.02	NA	\$7,650.00
\$19,100,000.00	\$3,601.02	NA	\$27,387.32
\$19,250,000.00	\$7,568.49	NA	\$58,109.27
\$19,500,000.00	\$14,756.87	NA	\$109,788.43
\$19,750,000.00	\$22,665.16	NA	\$162,687.50
\$20 Million or more*	\$31,293.33	NA	\$214,366.67
*Full MBT with Surcharge			
Adjusted Income Trigger			
\$1.3 Million or less	\$1,100.02	\$6,840.00	\$7,650.00
\$1,300,001*	\$12,975.64	\$34,452.46	\$53,827.83
*Full MBT with Surcharge			

¹ Other amounts (payroll, purchases from other firms, assets aquired) were adjusted proportionately with the increase in gross receipts

² Other amounts (payroll, purchases from other firms, assets aquired) were not adjusted with the increase in gross receipts